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This is the author's final version of an editorial which can be found at:

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Editorial

Accounting for Victory

Ultimately all wars are about death and sacrifice. Each of the opposing forces aims to kill or impair the fighting ability of as many of their enemy that might be necessary to ensure victory. This was dramatically demonstrated in the First World War (1914-18) when more than 10 million combatants were killed on battlefields that spread across a large part of Europe, Turkey, Palestine and the German colonies in Africa and the Pacific. To bring together an unprecedented number of combatants and the materials that they needed to engage with, and defeat, their enemies required organisation and management on a scale not encountered in previous wars. While other wars, notably the Napoleonic Wars, had been very significant undertakings involving large numbers of participants and had occurred across more than one continent, none matched the scale or mortality of the First World War. This international impact of the war is recognised in this special issue. In addition to focusing on the United Kingdom, which has had the strongest presence in studies of accounting in times of war, the contributions relate experiences in Italy, France and the United States. The papers concern a number of related themes. The studies by Arnold; Billings and Oats; and Rutherford and Walton concern the State's attempts to

finance the war, and their consequential impacts on organisations. The papers by Cardoni, and by Antonelli, D'Alessio and Rossi also discuss another aspect of government during war, engagement with economic and political elites. The contribution by Miley and Read illustrates the role of accounting in battle. This is followed by two studies on the impact of war on accounting practice. The paper by Quinn and Jackson focusses on costing practice and that by Flesher and Previts on the practice of a major firm at a time which represented a new era for women in the accounting profession.

War and the methods of prosecuting war have dominated the history of human kind. Until well into the 20th century military expenditure represented by far the largest proportion of spending by governments. Throughout the latter half of the 19th century most British government spending was still for military purposes while in other major European nations the financial needs of the army and navy dwarfed all other government spending and even that of the largest businesses (Watt 1988: 160). In times of 'total war', as several papers in this special Issue of *Accounting History Review* confirm, the needs of the military must be, if necessary, all consuming. As noted in Cardoni's paper "All countries at war use every financial means at their disposal". To use these means effectively required innovative accounting practices. Indeed, the First World War was to be a watershed in the evolution of accounting, both as a technology and a profession, and in its relationship with the State and society.

Ultimately, the continuation of the State as the embodiment of the interests of a social collective requires not only that its military forces can successfully defend it but also that it has under its authority sufficient controls to ensure that the military is never in a position to challenge the supremacy of the State and, thereby, threaten the liberty of its citizens. Throughout history there have been many instances of a nation finding itself at the mercy of an armed minority which may have originally owed allegiance to the sovereign State. Consider, for example, England during Oliver Cromwell's rule in the 17th century and, in more recent times, Spain under General Franco during the period of his long dictatorship (1939-75). In the case of England, the brutal rule of the military made Parliament and the nation determined to institute controls which would ensure that never again would the liberty of all be threatened by the few. Controls to ensure military subservience to the will of the people, as embodied in the institution of Parliament, include political authority, as established through historical understandings and constitutional formulations, and the controls which are auxiliary to or emanate from political controls. Of the latter, most important is the sole and supreme authority of the State in matters of finance related to the military and having in place accounting controls upon which these powers depend for their efficacy.

When the military is denied access to the means of financing its actions it will be unable to initiate and sustain any attempt to assume control of power. However, to exclude the military entirely from financial matters was shown throughout the many wars in the 18th and 19th centuries to have prejudiced military operations in battle. In the case of France in the First World War, Cardoni notes how "the government and

the armed forces kept arguing the same bottom line against Parliament's meddling in spiralling expenditure in that the (victorious) end justified the (very expensive) means". Accounting historians have been overwhelmingly concerned with these political motives which precipitated accounting practices and the consequences of this for military power and performance, especially in the case of Britain (see for example Black 2001a,b; Funnell 1990,1997). Less attractive to accounting historians has been investigating the application of accounting to the operations of the army in the field to promote military efficiency and effectiveness, the subject of Miley and Read's paper in this special issue.

Military success requires ready and reliable access to the implements of war, both military weaponry and that which is necessary to sustain servicemen in battle; food, clothing, shelter and the other necessities of life. Yet, no military power has an unlimited supply of resources to prosecute war. The killing can only be sustained at the levels needed to ensure victory if available resources are used effectively and efficiently. The contributions to this special Issue by Antonelli, D'Alession and Rossi; Billings and Oats; and Cardoni confirm that this demanded significant innovations in the management of government finances. In the case of both Italy and France this diminished the influence of political and intellectual elites who, especially in the latter, were unable to offer ideas and prescriptions for managing public finances which gained the confidence of government at a time when its financial systems were under massive strain. In their paper Antonelli, D'Alession and Rossi show how the Italian Government introduced a number of major changes to the budgets of the Ministry of War and the Ministry of Munitions which recognised the increased

financial strains caused by the conflict. The reforms were also to be a means to prevent fraud and corruption, thereby confirming that budgeting was a socio-political process and not just a technical practice.

As governments sought to ensure access to the finances necessary to successfully prosecute war, new taxes were introduced and existing taxes were raised to unprecedented levels. This provided accounting firms with the opportunity to benefit from the war with the provision of new services which may have prioritised reducing the tax liabilities of clients, irrespective of the plight of the nation. In the case of the US accounting practice Haskins and Sells, Flesher and Previts explore the manner in which the firm provided new services related to income taxes and assisted the government with a post war liquidation commission. They also show how the war greatly enhanced the opportunities for women in the accounting profession as men left for the front line after America joined the war in 1917.

The First World War dramatically confirmed that in the modern era the successful prosecution of war would depend on the implements of war provided by profit seeking businesses. Victory depended more than ever on enduring and reliable partnerships with the private sector. It would also depend on ensuring that these firms earned profits which did not take advantage of the perilous situation of the nation. Thus, a particular threat to the financial viability of any war effort was the opportunities that the panic of war provided for these firms to increase their profits, dramatically and often deceptively. In their contribution to the special issue, Quinn

and Jackson identify the new challenges which the war presented in relation to management accounting practices, such as the need to allocate new costs associated with the unprecedented risks of war. Without accounting as a means to summon, monitor and report on the necessities of war, where and when needed, victory would be far less certain.

The studies by Arnold, Rutherford and Walton; and Billings and Oats establish that the British Government, which very early was aware of the temptations for businesses to take advantage of their 'patriotic' contributions to the war effort, introduced the Excess Profits Duty. This, it is shown, increased tensions between capital and labour. The contribution by Rutherford and Walton, however, demonstrates that higher income taxes had more impact on the Blackpool Tower Company than the Excess Profits Duty. For Excess Profits Duty to be successfully implemented depended on the government being able to rely upon accounting information, especially about costs incurred, from firms contracted by the government. The paper by Quinn and Jackson shows that amongst the most important and often the most contentious developments in accounting were new cost accounting practices which were to become the focus of efforts of governments to ensure that businesses were not earning excessive profits from the war. Modern cost accounting is most often traced to the innovations which were prompted by the exceptional, unprecedented demands on business and the State by the First World War. It was a time when cost accounting was seen to be 'coming into the light' (Loft, 1990).

Despite the critical importance of accounting in the pursuit of victory, mostly it has been at times of crisis and failure on the battlefield that this has become especially obvious. Thus, for example, as Miley and Read show in their paper, through the medium of cartoons problems with supply of the basics of life for the soldier on the frontline exposed weaknesses in lines of accountability. The authors also suggest the threat to victory which accounting could present if the emphasis was on an obsessive concern for completing accounting reports in the minutest detail rather than on the underlying reality of supplying those on the front line. This was perpetuating a culture and practices which had long determined the relationship between the military and their civilian masters. Prior to the First World War the Esher Committee was scathing about the British army's accounting systems, the army's Accountant-General and his staff (Esher Committee 1904: w139). The Accountant-General's office was accused of being obsessed with pettifogging clarifications about spending authorisations for amounts recorded in the accounts. These intrusions were deemed by the Esher Committee to be 'intolerable, and they *fully* account for the administrative inefficiency of the War Office' (Esher Committee 1904: 139, emphasis added). Prompted by the financial and human costs of endemic administrative failures during the First World War, the "Committee of Administration of, and Accounting for, Army Expenditure" (Lawrence Committee 1924, para. 5 of the report), warned that without "a proper system of accounting it is impossible to obtain the best and most economical administration" upon which victory would depend. However, 'On active service', reminded Amery (1909: 407), 'economy is not the supreme test; the supply officer must feed the troops in the face of every difficulty,

irrespective of cost'. When victory is above all else the expectation, ultimately in the heat of battle the financial cost was to be irrelevant.

While the contents of this special issue serves to enrich extant research about accounting in times of war, this continues to be an underdeveloped area of research for accounting historians. Yet to be fully reflected in the accounting history literature is the overwhelming historical importance of both the world wars as military phenomena and the impact that they were to have on society and the State, including the destruction of European dynasties and empires such as the Austro-Hungarian empire. In addition, there are many rich opportunities for accounting researchers to further explore experiences in non-Anglophone countries which participated in the war and for studies of accounting in implementing reparations, reconstruction, and the demobilisation of the military and their return to civilian life. There is also much to be done with the way in which the First World War provided the impetus for the development of accounting concepts and practices which were to shape the economic and political destinies of States in the 20th century. Other wars in the 20th and 21st centuries, notably the Vietnam War and the war in Iraq, have featured in the accounting literature (Chwastiak 1999, 2006) but there are still many conflicts in modern and pre-modern times which have yet to attract the attention of accounting historians.

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